

Message Text

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42

ORIGIN NEA-09

INFO OCT-01 ISO-00 ABF-01 OMB-01 TRSE-00 AGR-05 AID-05

EB-07 L-02 SP-02 CIAE-00 INR-07 NSAE-00 IGA-01

(ISO) R

DRAFTED BY NEA/ARN:PKBULLEN:JFC

APPROVED BY NEA - MR- SOBER

NEA/ARN DAKORN (DRAFT)

TREASURY: SCANNER

AGRICULTURE:HNORTON (DRAFT)

AID/NESA:LPOECHSLI (SUBS.)

AID/GD:MKITAY (DRAFT)

AID/FFP:AMERKER (DRAFT)

M/FRN/FM:RWHITENER (DRAFT)

EB/IFD/ODF:BCCROWE

L/NEA:BKHUFFMAN (DRAFT)

OMB:ELEONARD (DRAFT)

L/EB:SBOND (DRAFT)

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R 202253Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY DAMASCUS

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E.O. 11652: GDS

TAGS:EAID, SY, US

SUBJECT:DELINQUENT PL-480 BALANCES

REFERENCE: DAMASCUS 2990

A. FIRST GENERATION PL-480

1. RE REFTEL PARA 3, WHEN AGREEMENT REACHED ON SECOND-
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GENERATION BALANCES AND AGRICULTURAL MARKET DEVELOPMENT

CONVERSIONS, IT IS UP TO SARG WHETHER SHARIF'S LETTER PROCEDURE IS SUFFICIENT TO UNBLOCK ACCOUNT CURRENTLY HOLDING LS 20,980,000. OFFICIALLY-TRANSMITTED COPY OF LETTER WILL BE SUFFICIENT BASIS FOR USG AGENCIES IN WASHINGTON TO PROCEED WITH ADMINISTRATIVE STEPS NECESSARY TO REALLOCATE THESE FUNDS FOR LENDING TO SARG FOR SYRIAN DEVELOPMENT PROJECTS AS MAY BE JOINTLY AGREED UPON BY USG AND SARG. FYI: WE ANTICIPATE USE WOULD BE FOR LOCAL CURRENCY COMPONENT OF USAID PROJECTS. END FYI. WE WILL THEN HAVE TO PROCEED TO SIGNATURE OF FORMAL LOAN AGREEMENT FOR THOSE FUNDS ANALOGOUS TO LOAN 276-G-006. PROPOSED AGREEMENT TEXT WILL BE FORWARDED TO YOU AT LATER DATE.

B. SECOND-GENERATION PL-480 BALANCES

2. FORMAL RESCHEDULING OF PL-480 LOCAL CURRENCY PAYMENTS HAS NEVER BEEN DONE IN COMPARABLE CIRCUMSTANCES. HOWEVER, WE WOULD LIKE TO BE FORTHCOMING WITH SYRIANS ON THIS MATTER. ONLY POSSIBILITY WE CAN SEE WOULD BE LIMITED STRETCH-OUT PERIOD DURING WHICH SARG WOULD BRING ITSELF CURRENT ON SECOND-GENERATION PAYMENTS. WE WOULD FIND FOLLOWING FORMULA ACCEPTABLE.

3. SARG COULD MAKE ITSELF CURRENT IN REPAYMENTS ON LOANS 276-G-002, 276-G-005, AND 276-G-006 BY MAKING SIX SEMI-ANNUAL PAYMENTS TO CREDIT OF USG INTO ACCOUNT WHICH FREELY AVAILABLE FOR USG USES, PER TERMS THOSE LOAN AGREEMENTS. FIRST PAYMENT SHOULD BE MADE IMMEDIATELY AND REMAINING PAYMENTS AT SIX-MONTH INTERVALS.

A. FIRST AND SECOND PAYMENTS WOULD BE CREDITED TO LOAN 276-G-002 AND WOULD BE IN APPROXIMATELY EQUAL AMOUNTS SUFFICIENT, TAKEN TOGETHER, TO MAKE SARG CURRENT IN PRINCIPAL AND INTEREST PAYMENTS ON THAT LOAN. THEREAFTER SARG WOULD PAY SEMI-ANNUAL INSTALLMENTS OF PRINCIPAL AND INTEREST ON LOAN 276-G-002 AS THEY COME DUE.

B. THIRD AND FOURTH PAYMENTS WOULD BE CREDITED TO LOAN 276-G-006 AND WOULD BE IN APPROXIMATELY EQUAL AMOUNTS SUFFICIENT, TAKEN TOGETHER, TO MAKE SARG CURRENT IN LIMITED OFFICIAL USE

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PRINCIPAL AND INTEREST PAYMENTS ON THAT LOAN. THEREAFTER SARG WOULD PAY SEMI-ANNUAL INSTALLMENTS OF PRINCIPAL AND INTEREST ON LOAN 276-G-006 AS THEY COME DUE.

C. FIFTH AND SIXTH PAYMENTS WOULD BE CREDITED TO LOAN 276-G-005 AND WOULD BE IN APPROXIMATELY EQUAL AMOUNTS SUFFICIENT, TAKEN TOGETHER, TO MAKE SARG CURRENT IN PRINCIPAL AND INTEREST PAYMENTS ON THAT LOAN. THEREAFTER

SARG WOULD PAY SEMI-ANNUAL INSTALLMENTS OF PRINCIPAL AND INTEREST ON LOAN 276-G-005 AS THEY COME DUE.

4. CANNOT RPT CANNOT GO FARTHER THAN THE ABOVE IN EFFORT BE FORTHCOMING. FYI. WILLINGNESS TO ACCEPT SUCH AN ARRANGEMENT REPRESENTS SPECIAL EXCEPTION, BASED ON POLITICAL CONSIDERATIONS, WHICH DOES NOT SET PRECEDENT FOR FUTURE CASES OF SIMILAR NATURE FOR SYRIA OR OTHER COUNTRIES. END FYI.

5. FOREGOING WOULD SPREAD ELIMINATION OF DELINQUENCY OVER TWO AND A HALF YEARS. FIRST AND SECOND PAYMENTS WOULD BE ABOUT LS 4.1 MILLION EACH; SECOND AND THIRD, ABOUT LS 4.2 MILLION EACH, FOURTH AND FIFTH, ABOUT LS 3 MILLION EACH. FYI: AMOUNT ADDED BY GRADUAL RESUMPTION OF CURRENT PAYMENTS WOULD MEAN THAT TOTAL SYRIAN PAYMENTS INTO USG ACCOUNT WOULD BE ABOUT LS 9.5 MILLION DURING PERIOD OF THIRD AND FOURTH PAYMENTS, AND ABOUT LS 8.2 MILLION DURING PERIOD OF FIFTH AND SIXTH PAYMENTS. END FYI. AFTER CATCH-UP, SYRIA WOULD HAVE ONLY CURRENT PAYMENTS TO MEET, WHICH WOULD THEN TOTAL ABOUT LS 1.5 MILLION SEMI-ANNUALLY FOR ALL THREE LOANS TOGETHER.

6. YOU SHOULD TELL SYRIANS THAT GRADUAL ELIMINATION OF DELINQUENCY ON SECOND-GENERATION LOCAL CURRENCY LOANS PER FOREGOING WILL LEAVE SYRIA IN DELINQUENT STATUS FOR PERIOD OF TWO AND A HALF YEARS. HOWEVER, THIS WOULD NOT RPT NOT FUNCTION AS BAR TO AID UNDER FOREIGN ASSISTANCE ACT OR PL-480.

7. WE ARE CONFIDENT USG USES OF SYRIAN POUNDS FOR ITS OWN PURPOSES WILL BE WELL BELOW RATE OF SYRIAN REPAYMENTS PER CATCH-UP SCHEDULE. (FYI: RATE OF USAGE LIMITED OFFICIAL USE

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OCT.-DEC. 1974 WAS DOLS 700,000 PER YEAR. ENDFYI.)

C. AGRICULTURAL MARKET DEVELOPMENT CONVERSION.

8. APPRECIATE YOUR HAVING REVIEWED AGRICULTURAL MARKET DEVELOPMENT CONVERSION WITH SARG (REF B PARAS 3A AND 3B). INCLUSION OF MARKET DEVELOPMENT PROVISIONS IS AN ESSENTIAL ELEMENT IN ANY AGREEMENT WITH SARG ON PL-480 LOAN BALANCES. BECAUSE OF PL-480 LEGISLATION, LOAN AGREEMENT UNDER WHICH FIRST GENERATION BALANCE OF LS 20,980,000 WILL BE LENT TO SARG FOR ECONOMIC DEVELOPMENT WILL, LIKE LOAN 276-G-006, HAVE TO INCLUDE CLAUSE PROVIDING THAT TWO PER CENT OF REPAYMENTS OF PRINCIPAL AND INTEREST WILL BE AVAILABLE FOR CONVERSION AT USG REQUEST INTO THIRD-COUNTRY CURRENCIES FOR U.S. AGRICULTURAL MARKET DEVELOP-

MENT PURPOSES. CONVERSIONS UNDER BOTH LOAN 276-G-006 AND
NEW LOAN ARE TO BE MADE EACH YEAR. INGERSOLL

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